

Message Text

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EXDIS-DOD HANDLE AS SPECAT EXCLUSIVE FOR SECDEF

E.O. 11652: GDS

TAGS; PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. WEST GERMANY SHAKEN BY SENATE ACTIONS ON US TROOPS

STATE SECRETARY APEL OF THE FEDERAL REPUBLIC OF GERMANY'S (FRG) FOREIGN OFFICE INFORMED EMBASSY BONN THAT SENATE ACTIONS ON THE MANSFIELD, HUMPHREY, AND JACKSON-NUNN AMENDMENTS HAVE CAUSED "CONSIDERABLE SHOCK" AT SENIOR LEVELS OF THE FRG. TWO MEMBERS OF THE BUNDESTAG ALSO EXPRESSED SERIOUS CONCERN ABOUT THESE ACTIONS. FRG OFFICIALS WONDER WHETHER THE US WILL CONTINUE TO MAINTAIN A STRONG PRESENCE IN EUROPE WHILE REDUCING ITS FORCES IN OTHER PARTS OF THE WORLD. (SECRET) BONN 14184, 10/1 (LIMDIS).

2. IN THE "COD WAR"

A. ICELAND REJECTS HEATH PROPOSALS. . .

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ICELAND'S PRIME MINISTER JOHANNESSEN SENT A LETTER TO PRIME MINISTER HEATH SEPTEMBER 28 REJECTING THE BRITISH PROPOSAL FOR RESOLVING THE FISHERIES DISPUTE. THE

LETTER REITERATED ICELAND'S POSITION THAT THERE CAN BE NO NEGOTIATIONS UNTIL BRITISH NAVY SHIPS ARE REMOVED FROM ICELANDIC FISHING GROUNDS. EMBASSY REYKJAVIK STATES THAT IT NOW APPEARS CERTAIN ICELAND WILL BREAK RELATIONS OCTOBER 3. (CONFIDENTIAL) REYKJAVIK 1161, 10/1.

B. . . . WHILE NATO SYG LUNS PROPOSES TRUCE.

NATO SECRETARY GENERAL LUNS SENT IDENTICAL MESSAGES TO THE PRIME MINISTERS OF ICELAND AND THE UK SEPTEMBER 29 URGING THEM TO RESUME NEGOTIATIONS. IN ESSENCE, LUNS PROPOSED THAT THE TWO HEADS OF STATE MEET WHILE THE ROYAL NAVY WOULD WITHDRAW FROM THE 50-MILE ZONE, AND ICELAND WOULD CEASE HARASSEMENT OF BRITISH TRAWLERS. LUNS TOLD THE NATO COUNCIL THAT PRIME MINISTER HEATH WOULD APPROACH ICELAND ON THE MATTER, AND THE SECRETARY GENERAL IS CAUTIOUSLY OPTIMISTIC THAT A RUPTURE IN RELATIONS BETWEEN THE TWO COUNTRIES CAN BE AVERTED. (CONFIDENTIAL) USNATO 4643, 10/1.

3. LIBYAN OIL NATIONALIZATION DEADLINE PASSES

EMBASSY TRIPOLI REPORTS THAT THE SEPTEMBER 30 DEADLINE FOR OIL COMPANIES TO ACCEPT LIBYA'S TERMS FOR NATIONALIZATION PASSED WITHOUT ANY CHANGE IN THE STATUS QUO. GRACE PETROLEUM AGREED SEPTEMBER 29 TO LIBYA'S DEMAND FOR 51 PERCENT NATIONALIZATION, AND THE MINISTER OF PETROLEUM REPORTEDLY SET UP FIVE COMMITTEES ON SEPTEMBER 30 TO DETERMINE COMPENSATION FOR COMPANIES NOT ACCEPTING NATIONALIZATION. THESE COMPANIES ARE: MOBIL, TEXACO AND SOCAL, SHELL, ESSO AND LIBYAN AMERICAN OIL, AND NELSON BUNKER HUNT. (LIMITED OFFICIAL USE) TRIPOLI 1259, 10/1.

4. ARAB TERRORIST INCIDENT

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AUSTRIAN CHANCELLOR KREISKY TOLD OUR AMBASSADOR TO VIENNA THAT AUSTRIA WILL CONTINUE TO ALLOW SOVIET CITIZENS TO TRANSIT AUSTRIA, BUT THAT FACILITATIVE ASSISTANCE, SUCH AS THE SCHOENAU CAMP, WOULD BE PHASED OUT. AFTER OUTLINING THE CONTEXT WITHIN WHICH HE MADE THIS DECISION, KREISKY SAID THAT, DESPITE NEGATIVE WORLD REACTION, HE IS PREPARED TO RESIGN RATHER THAN

ACCEPT REVERSAL. AMBASSADOR HUMES OBTAINED THE DISTINCT IMPRESSION THAT KREISKY IS PREPARED, AT LEAST AT THIS JUNCTURE, TO STAND BY HIS DECISION AND THAT HEAVY FLAK FROM THE ISRAELIS COULD PROVE COUNTERPRODUCTIVE. (SECRET) VIENNA 8086, 10/1.

5. QADHAFI'S UTILITY FADING FOR SADAT

USINT CAIRO REPORTS THAT SADAT SEES QADHAFI'S UTILITY AS COMING TO AN END AND WILL NOT ACCOMMODATE HIM MUCH FURTHER. ALTHOUGH QADHAFI'S PROPENSITY FOR CAUSING PROBLEMS FOR THE EGYPTIANS HAS NOT BEEN REDUCED, AS IT BECOMES CLEAR THAT THE LIBYAN-EGYPTIAN UNION WILL NOT WORK, THE NEED TO MAINTAIN A PRETENSE TO THE CONTRARY BECOMES BURDENSOME. SADAT'S PATIENCE IS WEARING THIN, ALTHOUGH NOT TO THE POINT OF DRAMATICALLY ANNOUNCING A HALT OF THE UNITY EXPERIMENT. (SECRET) CAIRO 2894, 10/1 (LIMDIS).

6. CHILE WILLING TO PAY COMPENSATION

A SPOKESMAN FOR THE FOREIGN OFFICE TOLD EMBASSY SANTIAGO THAT "ELEMENTARY JUSTICE" REQUIRES CHILE PAY COMPENSATION TO US COPPER COMPANIES, AND THAT FOREIGN MINISTER HUERTA IS PREPARED, IF THE US WISHES, TO HOLD PRELIMINARY DISCUSSIONS DURING HIS US VISIT. THE SETTLEMENT WITH CERRO WILL HAVE TO USE A FORMULA SHOWING A SLIGHT IMPROVEMENT OVER THE "UNDER THE TABLE" DEAL NEGOTIATED BY THE ALLENDE GOVERNMENT. CHILE WOULD ALSO LIKE TO REACH AN AGREEMENT WITH KENNECOTT THROUGH ADJUDICATION IN ROME BUT HOPES THAT THE COMPANY WILL AGREE TO POST-SECRET

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PONE FOR THIRTY DAYS THE COURT HEARINGS SCHEDULED FOR OCTOBER 3. (CONFIDENTIAL) SANTIAGO 4754, 10/1 (EXDIS). KISSINGER

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